

Fiscal Note

Fiscal Services Division



HF 2268 – Adoption Tax Credit (LSB 5163HV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New

Description

House File 2268 creates a new adoption expense income tax credit. The credit is refundable and applies retroactively to tax year 2014 and adoption expenses paid or incurred on or after January 1, 2014. The maximum credit per adoption is \$2,500, or \$5,000 in the case of the adoption of a child with special needs. In order to claim the credit, the taxpayer must not use the same expenses as an itemized deduction on their Iowa tax return. Adoption expenses in excess of the credit would still be allowed as an itemized tax deduction.

Assumptions

Based on past utilization of a federal adoption tax credit, and using the Department of Revenue individual income tax model, the following assumptions are used:

- A total of 462 tax returns will utilize the new credit.
- The average benefit per tax return will be \$2,200. This average benefit includes an adjustment for the reduced itemized deductions.
- Although the tax credit is retroactive to January 1, 2014, little or no General Fund impact will occur in FY 2014.
- Refundable tax credits do not impact the local option income surtax for schools.

Fiscal Impact

The adoption tax credit created in **HF 2268** is projected to reduce net General Fund revenue \$1.0 million annually, beginning in FY 2015.

Sources

Department of Revenue income tax micro model
Iowa federal tax return information

/s/ Holly M. Lyons

February 24, 2014

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
